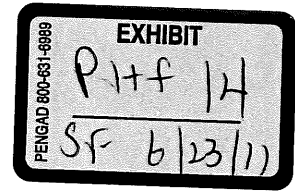


APPENDIX 58



Dear Commissioner:

I am writing in response to your letter of March 8, 2007, and thank you for the same.

The requests for information from your staff have, understandably, been coming in rapid succession and have required increasing detail. Preparation of accurate responses has necessitated extraordinary care in their preparation. Equally understandable is the fact that the time requirements for our responses have gotten progressively shorter and more urgent. As a result our replies have been focused, and limited to the questions presented. We have not had the luxury of time to draft comprehensive reports on the underlying subject matter of the inquiries.

The boards of Caritas and Wyckoff, and I, have been kept fully informed of the situation at hand as our understanding of that situation has evolved. We have also kept the office of Queens Borough President Helen Marshall, as well as other elected officials, briefed on the situation.

Contrary to the assertion in your letter, the Caritas Asset Purchase Agreement, CON application and HFG Loan agreement all contemplated financial support to the Caritas venture through the creation of the central business office and implementation of the Meditech IT system.

Wyckoff was fully aware, at the time we submitted the initial preliminary statements of financial position to the Department of Health on March 2, 2007, that the **self-insurance program fund** and the **board designated investment fund** had been depleted and would need to be refunded. That situation was not, however, an “**admission after [DoH] questioned management.**” Since the re-funding assessment did not contribute to meeting payroll, and we did not have immediate access to the data needed to give the Department a meaningful explanation regarding why those funds had been expended, or a plan for refunding, we submitted only the information we had available in our **statements of financial position**, and did so with in minutes of the 10 a.m. Friday deadline.

To fully appreciate Wyckoff's actions, expectations and intentions, it is necessary to understand its recent history.

The current management team at Wyckoff Heights Medical Center was recruited by the New York Hospital Care Network in 1996 to manage the \$40 million turnaround of the then deeply troubled (in financial, programmatic and public relations terms) Medical Center.

The 1996 Wyckoff turnaround, which was successfully completed in less than one year, consisted of corrective actions very similar to those of the Caritas turnaround plan.

Key to the success of both the 1996 Wyckoff and the current Caritas turnaround plans was the installation of new hospital wide financial computer systems. In 1996 Wyckoff transitioned from the Keane computer system to the HBOC computer system. The

decision to make that 1996 transition was made early November 1996. Wyckoff went live on the new HBOC system January 1, 1997 with no significant issues related to that installation.

In an effort to reduce IT costs and bad debt expenses related to outpatient claims, and to install an electronic medical record system at the hospital, Wyckoff transitioned from the Eagle computer system to the Meditech computer system in August of 2006. The installation appeared to have been successful and in November of 2006 Wyckoff began the Meditech installation for the Caritas hospitals.

The 10 year period from 1997 to 2006 proved to be very successful for Wyckoff Heights Medical Center as the financial condition of the hospital stabilized. Reimbursement constraints, which over this same ten year period had severe negative impacts on many other Brooklyn and Queens hospitals, were successfully managed by Wyckoff as services were expanded, patient volumes grew and expenses were controlled. Also during this period, significant capital investments were made to replace antiquated medical equipment.

Clinical services were added including OB/GYN, a cardiac catheterization laboratory, and a genetics laboratory which now is one of the largest in New York City, servicing numerous New York hospitals, performing genetic testing for patients around the world, and providing second opinions for other laboratories and physicians. In addition, Wyckoff achieved 911 receiving hospital status and New York State stroke center designation.

During this period, Wyckoff's performance was marked not only by effective financial management, but also by externally-recognized quality of care. Wyckoff's consistently outstanding performance in its 1998, 2002 and 2005 JCAHO surveys (including commendation) and its AOA surveys the same years, as well as the CAP certification of its labs, attest to this accomplishment.

Indeed, in this same time frame, Wyckoff received the New York Presbyterian System Quality Signature Award for its Asthma Awareness Program, the Wyckoff Pharmacy Department received honorable mention from the NYS Department of Health for Patient Safety, and IPRO recognized us for Physician Performance Improvement. In addition, the Medical Center received the Orguillo Award from the Coalition for Hispanic Family Services for our ongoing commitment to strengthening the Latino Community. Just within the last several months, JCAHO recognized Wyckoff's initiative to establish new transfusion criteria related to our Bloodless Medicine program, and featured our Chairman of Medicine, who spearheaded the initiative, in an article in one of its national publications.

Similarly, prior to 1996 Wyckoff had lost its graduate medical education (residency) program in Medicine. After the arrival of the new management team, a new highly qualified Chairman of Medicine was recruited, an affiliation with New York Methodist Hospital's medical residency program was established, and the clinical and academic

components of the Department of Medicine were strengthened. In a campaign parallel to the financial corrective action plans, academic programs were restored, expanded or improved. Affiliations for undergraduate medical education were established with several Caribbean and European medical schools. Recruitment of highly qualified residents has resulted in a track record of seven years during which all graduating Medicine residents have passed their Boards on the first attempt. Other services, including Surgery and Family Medicine, have performed almost as well. All surveys by ACGME or AOA residency review committees have been successful.

In summary, Wyckoff's management and Board of Trustees had accumulated an extensive and concrete history of accomplished based on the systematic development and execution of rational, achievable corrective action plans.

In December of 2005 Wyckoff learned that Mary Immaculate and St. John's Queens Hospitals were being sold at auction. Wyckoff's interest was primarily in the St. John's Queens campus due to its close proximity to Wyckoff. However, the conditions of the sale were such that the successful bidder was required to bid on both hospitals because the hospitals, as campuses of a single entity, had one operating certificate and one Medicare and Medicaid provider number.

Wyckoff agreed with the Department of Health early on, that if its bid for Mary Immaculate and St. John's Queens Hospitals was accepted by bankruptcy court and the establishment CON was approved, Wyckoff would abide by the recommendations of the Berger Commission. The RAC determined that both hospitals were needed and neither hospital was included on the Berger commission's list of recommended closures. Wyckoff was ultimately the only provider to submit a bid to save Mary Immaculate and St. John's Queens Hospitals.

The last four months of 2006 were a very hectic period as work related to the establishment CON approval, the finalization of the Asset Purchase Agreement with SVCMC and the transition/turnaround of Mary Immaculate and St. John's Queens Hospitals were the focus of the Wyckoff Board and management team. In September 2006 Wyckoff and SVCMC entered into an Administrative Services agreement to manage the transition and turnaround of the hospitals. To complicate the situation further, during this period I underwent coronary bypass surgery, which necessarily diverted my attention from Wyckoff's operations for a short time.

Utilizing the successful corrective action plan model, Wyckoff and SVCMC jointly tracked on a weekly basis over four hundred actions necessary to assure a successful transition from SVCMC sponsorship to Caritas and the turnaround of Mary Immaculate and St. John's Queens Hospitals.

Aside from issues related to the development of a BQHC central business office, there were no concerns related to Wyckoff's accounting activities. Included with the hospital's year end audit reports, Wyckoff had received exceptional management letters each year for the past ten years. These letters included the review of financial internal controls.

Wyckoff's Finance Department operations and ability to maximize cash collections comprised the core of the projected Mary Immaculate and St. John's Queens Hospitals turnaround plan. Financial accounting and billing were Wyckoff's strengths.

It is impossible for the Board and management team at Wyckoff to understand why a CFO, who had held the position for 10 years, and managed the business office functions and cash needs of the hospital exceptionally well for that entire difficult period, would choose not to disclose serious problems. These, if addressed timely, could have been corrected without compromising the financial position of the hospital. If the business office problems had been disclosed timely, the CFO's position would not have been jeopardized. As has been taking place this past month, the full attention and support of the Wyckoff management team would have been provided to correct the problems.

If Wyckoff's cash flow problems related to the installation of the Meditech system had been discovered in October of 2006, they could have been corrected by year end and the closure could have taken place on time. The current efforts to correct the business office deficiencies would have been started much earlier and resolved in time to avert any crisis.

Had the cash flow problems been discovered in December of 2006, the closing on Mary Immaculate and St. John's Queens Hospitals could have been postponed, as necessary, to the end of March 2007 to allow time to correct the computer system.

Wyckoff's cash concerns were related to Caritas' working capital needs. It would have been obvious to the Wyckoff management that the Meditech system problems impacting Wyckoff's cash collections would have the same effect on Caritas. With the limited working capital available for the Caritas start-up period, Wyckoff would not have closed on the transaction until the Meditech system problems were resolved.

As to our current situation, we have made all required payments to the Dormitory Authority of the State of New York through mid-March, and are finalizing the reconciliation between Caritas and Wyckoff. We expect to report shortly that Caritas has been completely repaid for any sums inappropriately transferred from Caritas to Wyckoff. Our newest cash flow projections for Wyckoff and Caritas will include refunding of the Wyckoff self-insurance fund at levels recommended by our outside actuary, Mr. James Sergio.

At this afternoon's emergency Board meetings, John Lavan was engaged by the Boards of Trustees of both Wyckoff and Caritas to do a comprehensive review of financial operations for both entities. Copies of his reports will be made available to you.

The behavior of our former chief financial officer still remains inexplicable to me. However, I believe that with the assistance of John Lavan, our remaining financial staff and your department, we will get to the bottom of this.

I do not think there is any question that the goal of Caritas, Wyckoff and your Department are the same, to keep all three hospitals open and able to provide needed health care to their respective communities. While there may be need for discussion as to how this goal can best be accomplished, I do not believe there is any disagreement about what needs to be done in the very short-term to keep these hospitals alive, so that a discussion of how to reorganize them in terms of financial management can be more than an academic exercise. I understand that a meeting is being scheduled for tomorrow between the Wyckoff/Caritas management and your staff. That meeting will, I hope, enable us to identify the immediate steps that must be taken so that we have time to engage in the further analysis identified in your letter.

Very truly yours

Emil Rucigay, Esq.
Chairman